

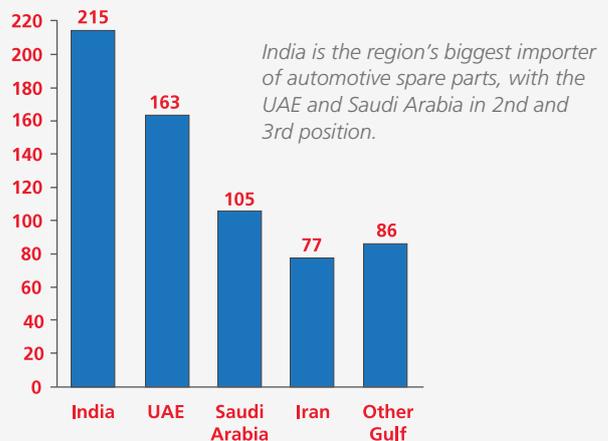
# DRIVING OPPORTUNITIES IN AUTO PARTS

Two major regional markets that have been identified with high demand for automotive spare parts are Saudi Arabia and India. Both markets import large quantities of spare parts – Saudi Arabia imports over 100k TEU of parts per year, while India imports about 215k TEU per year – mostly through Western India. The combined value of those two trade flows exceed USD \$11B.

**The combined value of Saudi Arabia's and India's trade flows exceed USD \$11B.**



**Auto parts imports to Gulf and India, 2012**  
TEU (000's)



Source: Seabury Ocean Trade Database

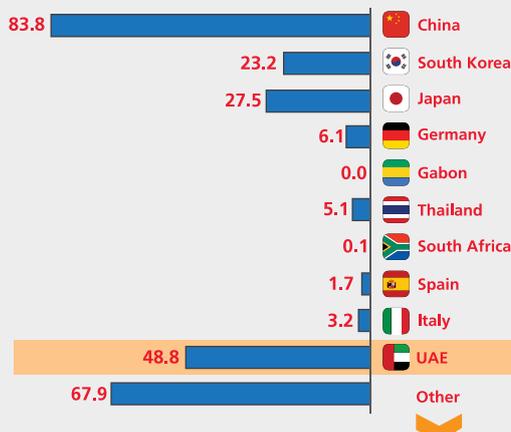
## Presenting an untapped opportunity

The Gulf imports automotive parts from a number of countries, with the two largest being China and the UAE. Interestingly enough, there are almost zero exports of auto parts from the UAE to India – a potentially untapped opportunity.

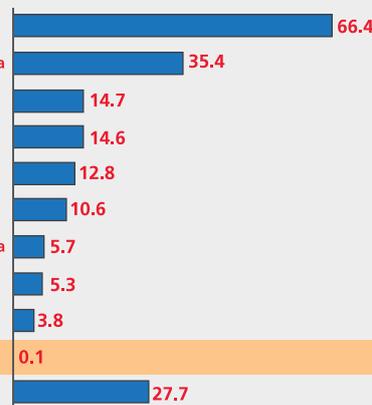
### Automotive parts - import partners for India vs. Gulf

North East Asian countries are among the top import partners for both India and the Gulf, while the role of the UAE is quite different in the two markets.

**Automotive parts - imports to Gulf - 2012**  
TEU (000's)



**Automotive parts - imports to India 2012**  
TEU (000's)



**Although the UAE is a major auto parts distribution hub for the Gulf, it has very limited involvement with the Indian market, presenting an opportunity for SOHAR.**

Source: Seabury Ocean Trade Database

## Making SOHAR a satellite hub

The UAE is still the biggest market in the Gulf region, and will be better served by distribution hubs within the country. However, (parts) distributors, especially those already established in the UAE, could gain a competitive advantage and reach new markets by staging a distribution centre in SOHAR given the proximity – a mere 2.5 hour drive away from Dubai.

## Steering shipping savings

Cost of shipping to India from SOHAR is also competitive with the UAE. The table to the right includes certain indicative costs of feeder services to Nhava Sheva (as of January 2014). It is not a full cost buildup including all surcharges, border charges, etc. While freight rates from SOHAR appear somewhat higher, this is counterbalanced by lower handling costs, which results in a net cost advantage for SOHAR.

	20' Laden	40' Laden
SOHAR to Nhava Sheva	\$170	\$340
Jebel Ali to Nhava Sheva	\$135	\$270
SOHAR freight rate advantage	-\$35	-\$70
SOHAR freight rate + handling advantage	\$99	\$120

Source: Seabury Analysis

## Advantage SOHAR

SOHAR Freezone has appealing conditions for traders and distributors. Warehousing costs are competitive and smaller players will be able to sublease warehousing space while still operating with 100% ownership.

- **Captive Omani market, with limited competition** in contrast to the UAE, where there is stiff competition within the free zones and local market
- **Professional and experienced Freezone and Port team through Port of Rotterdam** connection. With a high quality management team in place development will proceed as planned
- **100% foreign ownership** for Freezone tenants
- **Duty-free imports** in the Freezone
- **Tax holidays** for up to 25 years in the Freezone
- **Low local labour requirements** with up to 85% overseas workforce allowed
- **Low capital requirements**, with only OMR 20,000 required to set up a company in the Freezone
- **Lower cost of living** compared to the UAE
- **One-Stop-Shop service** in the Freezone limits the bureaucracy that tenants have to face, and improves the ease of doing business

## Competitive rates and resources

	SOHAR	Jebel Ali	DWC	Hamriyah	KIZAD	RAK
Power (US\$/kWh)*	0.04	0.09	0.09	0.12	0.04	0.11
Open land (US\$/sqm)*	7.00	5.44 - 21.78	5.44 - 10.98	6.81 - 10.89	2.72 - 6.81	9.53 - 13.61
Registration FZ company (US\$)*	2,700 - 4,100	4,100	Free	2,500	1,400	1,900
General trade license (US\$)*	7,800	8,200	Not available	3,300	1,400	4,100

\*All US\$ costs subject to possible exchange rate fluctuations

Source: SOHAR Port and Freezone

Traders in the UAE have already taken advantage of the country's geographic proximity to Saudi Arabia to capitalize on growing demand there. The same opportunity exists in SOHAR, where the cost of doing business is competitive with the UAE. SOHAR is equal to or cheaper than Jebel Ali in all cases, and competitive with other free zones in the UAE across all categories. Power costs in SOHAR are about half of what they are in most competing free zones, and approximately equal to KIZAD while SOHAR's Freezone offers readily available, affordable and competitively priced land. SOHAR also benefits from lower terminal handling charges (THC) relative to Jebel Ali.

	20' Laden	40' Laden
SOHAR import THC (USD)	\$104	\$142
Jebel Ali import THC (USD)	\$187	\$296
SOHAR advantage (USD)	\$83	\$154

These indicative THC rates are for February 2014. Please note that these values will change over time, can vary by carrier, and do not represent a full costing of all landside charges.